

MEETING SUMMARY NOTES

Finance Work Group

November 8, 2002

7:30 a.m., Room 113, County-City Building

MEMBERS: Present - Lowell Berg, Ron Ecklund, Keith Brown, Bob Hampton, Mark Hesser, Connie Jensen, Brad Korell, Dan Marvin, Polly McMullen, Richard Meginnis, Tom Schleich, Kent Seacrest, Roger Severin, Tim Thietje, Terry Werner, Larry Zink, Allan Abbott (non-voting).
Absent - Otis Young, Jim Budde

OTHERS: Kent Morgan, Roger Figard, Randy Hoskins, Nick McElvain, Peter Katt, Margaret Remmenga, Don Herz, Mark Bowen, Hallie Salem, Jon Carlson, Marvin Krout, Steve Masters

AGENDA ITEMS DISCUSSION:

1. Welcome - Brad Korell, Work Group Chair and Committee Tri-Chair

Brad Korell opened the meeting by requesting the members to introduce themselves. Mr. Korell reviewed the agenda and asked if there were any changes desired by the Work Group members. A handout prepared by Mr. Korell was then distributed. The handout presented Mr. Korell's thoughts regarding topics the Work Group should be examining as part of their charge. Mr. Korell stated that the first area for them to review should be the financing of streets and highways – most specifically the Antelope Valley project, the Beltways, Street Maintenance and Rehabilitation, and New Development. He indicated that once the Group has examined the basic issues regarding streets, water, wastewater, storm water, and parks, they will need to become familiar with overall city financing. How long this will take is not certain at this time. And if there are items other members of the Work Group would like to discuss, they should let Mr. Korell know.

2. Meeting Summary Notes - October 31, 2002

Brad Korell asked if there were any changes in the "Meeting Summary Notes" from the Work Group's October 31, 2002 meeting. None were suggested. Larry Zink asked if the meeting materials were going to be placed on the website. Kent Morgan said that staff would make every effort to place as much as possible on the site.

3. Public Comment Period

Brad Korell asked if there were any members from the public that would like to address the Work Group. There were none.

4. Tier I, Priority Area A Infrastructure - Streets and Highways

Allan Abbott opened the discussion with a review of how much the city has grown over the past 20 years in comparison to the growth projected in the Comprehensive Plan. Using a display comparing Lincoln's city limits for 1980, 1985, 1990, 1995, 2000, and currently with the projected year 2025 urban boundaries, Mr. Abbott noted that the City has added about 20 square miles to its total area between 1980 and today. In comparison, the Comprehensive Plan calls for the city to grow by 40 square miles by the year 2025. This is one of the factors contributing to the projected "funding gap" as the city is being called upon to provide infrastructure to an even larger growth area than in the recent past.

Roger Figard noted that the materials he and other staff were about to present should be viewed as work-in-progress. He then reviewed a display showing street revenues and expenditures for a typical year. In general, street revenues total about \$30 million per year. Mr. Figard indicated that about half of this amount – \$15 million – comes from the State Fuel Tax and Vehicle Registration Fee. The City's Wheel Tax accounts for about \$8 million annually, Federal Urban Aid about \$4 million annually, and other sources about \$3 million annually. On the expenditure side, Mr. Figard noted indicated that about \$15 million is spent annually on construction projects. Street operations and maintenance, such as snow removal and the filling of pot holes, accounts for about \$7 million annually, arterial and residential street rehabilitation accounts for about \$6 million annually, and all other expenses account for about \$2 million.

Keith Brown asked whether it would be possible to get more information about the trend in fuel tax revenues -- at least at five year increments. Staff indicated that they would look into it and see what's available. Dan Marvin asked if similar information could be gathered for the City's wheel tax. Staff noted that they would also research this question.

Allan Abbott noted that in preparing the projections of future costs, no inflation factor was used as it is difficult to determine what factor to apply and how best to apply it. Kent Seacrest affirmed his support for not using an inflation factor. Roger Figard further noted that neither the revenue nor cost projections were inflated - only constant dollars were used in the staff's projections.

Roger Severin asked why we seem to be falling behind each year in our road building program. He stated that we shouldn't use the time period between 1980-2000 as a standard. Allan Abbott responded that there are many reasons why we find ourselves in the situation we have today, but that for whatever reasons we are forced to live with what we have and plan from there. Brad Korell noted that we should look at quantifying where we are today regarding road needs as the basis for future programming.

Allan Abbott stated that in the past the city was on a 200 year cycle for residential resurfacing, but have increased that to a 50 year cycle during the last 3 years. For arterials, he indicated that the city has also increased the resurfacing cycle from 50 years to 35 years. As we continue to add new arterial streets to this list – such as 84th Street, Old Cheney Road, Pine Lake Road – the expanding inventory of streets will make it more difficult to maintain this cycle of resurfacing and rehabilitation.

Richard Meginnis asked if administrative expenses were included in project costs. Roger Figard noted that certain design and engineering expenses are considered as part of the cost of construction. Bob Hampton asked if all the overhead costs are removed from the cost of a project. Roger Figard stated that overhead costs are generally not included. Lowell Berg asked if it would be possible to get comparable costs for other cities. Allan Abbott noted that getting truly comparable costs might be difficult and that he wasn't certain how valuable such a comparison might be. Mr. Berg stated that he felt it would give the Work Group a basis from which to compare programs.

Randy Hoskins presented a map showing 6 years worth of road projects based on the previous year's capital improvements program. The streets shown in red were considered as "funded projects;" roadways projects in blue are mostly for the Antelope Valley project and included a variety of funding sources; the South Beltway is shown in blue and is projected to draw from both Federal demonstration funds and local funds; and projects presented in brown are not currently considered as having a secure funding source.

Mr. Hoskins then referred to a handout that presented a detailed listing of projects that were used to prepare the map. He noted that the projects shown above the heavy black line were considered funded and those following the line were not funded. Mr. Hoskins then presented a second map showing the roadways that are considered necessary to support the City's "12 year growth area." The projects included on this map are also shown on the handout. Allan Abbott noted that these future projects are shown with the number of lanes to be built under the 25 year plan which means that they reflect a less than the "ultimate facility" design. Lowell Berg asked if these figures included an inflation factor. Mr. Abbott stated that they did not.

Mr. Figard also noted that the development assumed in some of the growth areas reflects 30 to 40 percent of the area's ultimate build out potential – thus there would eventually be more traffic on the adjacent roads than what is presently projected since the Comp Plan is a picture of what development and traffic would be likely in the year 2025. Mr. Abbott added that the phasing of development could also affect the assumptions of this analysis.

Roger Figard stated that there are about 328 miles of arterial streets and 804 miles of residential streets in the City. The Public Works Department would like to get to a rehabilitation cycle of replacing arterial streets every 20 years and residential streets every 35 years. They currently do about 16.5 miles a year at a cost of \$6 million – the enhanced cycle of rehabilitation would cost out at about \$30 million per year. Dan Marvin asked how the budget is currently divided between arterial and residential streets. Mr. Abbott indicated he thought it was about \$5 million

for arterials and \$1 million for residential. Keith Brown asked what the financial impacts are when are closed for construction. Mr. Abbott indicated that there were definite economic costs associated with the disruption that road construction brings with it, and that this is a very pertinent question we need to deal with later in the process. Larry Zink asked if this information would be put in written form. Staff will consider how this might be done. Terry Werner indicated that the recent East O Street project is a good example of the disruption that road reconstruction can cause.

Dan Marvin questioned whether we weren't really undertaking a replacement program that accounts for about one percent a year – so our rehabilitation cycle is actually a one hundred year cycle. Staff noted that they would look into this further and try to report back to the Work Group at a future meeting. Mr. Figard indicated that the street system is growing at about 2 percent a year in terms of the miles of streets needing to be maintained. If we are able to undertake rehabilitation projects on a more frequent basis, other maintenance costs might be lower in the long term.

Mr. Figard then noted that the maps being shown suggested that a six year street construction program would cost about \$325 million. An additional \$66 million in street rehabilitation – or \$6 million over 6 years – brings this total to \$360 million. Kent Seacrest felt that the 6 year program being shown was probably inadequate and that more street improvements should be programmed for completion during the first 6 year time period. Mr. Abbott responded that if there is a desire to advance projects into the first 6 years, more funds will be needed.

Brad Korell asked if it was felt that the assumed \$6 million figure was an adequate annual expenditure for street rehabilitation -- were people satisfied with the conditions of the arterials and residential streets on the cycle this budget provides for? Allan Abbott noted that this represented a “bare bones” budget. Keith Brown asked if the \$325 million figure was what is actually in the CIP? Mr. Abbott indicated that it was not the exact figure but reflect other refinements based on better information made since the CIP was put together in early 2002.

Brad Korell stated that there seemed to be a “disconnect” between the CIP and the Comp Plan, and perhaps we should take a look at this. Mr. Abbott agreed that this needs to be examined as there is a significant lead-time needed in building a new roadway – waiting until the 7th year to begin a project is too late.

Roger Figard noted the major city priorities are the Beltways and Antelope Valley. These need to be factored into the planning process. Also, we need to better understand the local share costs for the Beltways and Antelope Valley projects. Richard Meginnis asked if the Antelope Valley project wasn't programmed for construction over the next 6 to 10 years. Mr. Figard said that the time frame depends largely on funding– how much we ultimately get and when we get the monies.

Roger Figard noted that the price tag for the 12 year program is even greater – closer to \$657 million in projects and perhaps \$72 million in rehabilitation (if the \$6 million per year figures is employed.) Mr. Abbott noted that we need to have the plans prepared for potential projects so

that we can move quickly if the funds become available. This is complicated by the need to also have the right-of-way available in advance, as ROW acquisition can be time consuming and expensive if this process is left till later in the construction phase of the work.

Mark Hesser asked how the Work Group could best allocate costs among the various elements. Roger Figard noted that this is a good question and is complicated by many factors. There are many cost elements that need to be considered and also a variety of funding sources that have various strings attached to them. Lowell Berg asked if the costs included developer contributions. Roger Figard noted that only those private contributions going to arterial system development are shown – the private cost for interior residential street construction is not included as that is part of the cost of developing the subdivision. Keith Brown asked what computer format the 12 year street project listing was kept in and could he get a copy. Staff said they would look into it. Terry Werner asked about the use of general funds in road construction and maintenance. Alan Abbott said that such funds have been used in the stripping of streets, traffic operations (e.g., traffic signals), sidewalk construction and repair, and perhaps a few other tasks.

(Recorder temporarily out of the room to handle a request from the Work Group Chair.)

Brad Korell noted that there seemed to be general agreement among the Work Group about the City's newly instituted street maintenance program. Tom Thietje commented about the need to ensure the community's long term commitment to keeping this level of service in place. Bob Hampton said that maintenance wasn't the issue; that what was important was the need to widen the existing two lane streets.

Richard Meginnis noted that we need to look further into the matter of lane miles and see how this influences calculation of the funding gap. Brad Korell indicated his desire is to "validate the gap," look at what the city has historically been paying for street facilities, and clarify what the cost projects include. Allan Abbott noted that staff needs to bring forward their condition "rating system" for the arterial and residential streets so that the Work Group understands the system better. Tom Thietje suggested this Work Group work closely with the Cost Savings and Efficiency Work Group to make sure that we are building and maintaining the streets system in the best possible manner.

Kent Seacrest reiterated his concern that a better job be done of correlating the street improvements program projects with the Comprehensive Plan. Most specifically, the road construction plan needs to show more improvements during the next 6 years if the Plan is to be realized. Allan Abbott agreed that we need to move projects forward in the time period but that once again funding is the issue. Kent Seacrest noted the Comp Plan's growth rate and the need to also use this as the basis for programming water and wastewater improvements.

Roger Figard echoed earlier staff comments that the Work Group needs to fully understand the lead time needed to get a road project ready to construct – at least a 3 year preparation time to

get the necessary right of way, design the road and prepare plans, program the work, let contracts, etc.

5. Other Business

There were no “other business” items raised by the Work Group.

6. Future Agenda Topics

In the interest of time, Brad Korell indicated that he and staff would work out a future agenda for the Work Group.

7. Adjournment

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